

THE LEONARD LETTER

*A weekly electronic newsletter about
California government, business and taxes*

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QUOTE OF THE WEEK

*“Here the great art lies,
to discern in what the law
is to be to restraint and punishment,
and in what things
persuasion only is to work.”
--- John Milton
(1608-1674) Poet*

UNDER THE DOME

*****Unusual Budget Battle*****

Often the summer tradition of a budget battle has been for the Senate Republicans and Democrats to cut a budget deal first, send the package to the Assembly and adjourn for the summer, usually before the Assembly even sees the agreement. For the first time in my memory it is the Assembly that has now done the deal and gone for the summer. I do not know if this has any long-term meaning, or if it reflects some other shift in how the houses work their internal affairs. But this is clearly a noteworthy year in budget history. The possibilities include the Assembly Speaker's desire to look productive (to enhance the term limits change he and other incumbents favor), and/or the Assembly members of both parties being less senior than their Senate counterparts are more sensitive to outside media and special interest groups that depend on the budget.

It may also reflect the growing frustration of the Senate Republicans with the state's deficit spending and the knowledge that a budget hold-out gets some bad press, but not in papers that their voters are reading. From my budget experience, no voter without a financial stake in the budget ever called me and told me to change my vote. The Senate Republicans know this, and know well that their unity and their principled goals can make the budget less bad.

In his Sacramento Bee column, Dan Walters suggests that Democrats should involve Republicans earlier in the process of writing the budget as their votes are needed to ultimately pass the budget. Walters is being kind to the Democrats as I believe it is illegal for the Democrats to pass items through committee with simple majority votes when those same items

require a two-thirds supermajority vote by order of the constitution. Committees must follow the same rules as the entire body, but the press, it seems, does not want to call them on it.

<http://www.sacbee.com/walters/story/298548.html>

AROUND THE STATE

*****Cindy Sheehan Tax Crusader?*****

Not a lot has been said about Cindy Sheehan's July 22 op-ed in the San Francisco Chronicle.

<http://www.sfgate.com/cgi-bin/article.cgi?file=/c/a/2007/07/22/INGC6R23F41.DTL>

The main thrust of the piece is Sheehan's threat to run against Speaker Nancy Pelosi unless Pelosi unleashes the dogs of impeachment on President Bush. But I want to focus on just one paragraph because its content is actually interesting.

Sheehan wrote, "I was a lifelong Democrat only because the choices were limited. The Democrats are the party of slavery and were the party that started every war in the 20th century, except the other Bush debacle. The Federal Reserve, permanent federal income taxes, not one but two World Wars, Japanese concentration camps, and not one but two atom bombs dropped on the innocent citizens of Japan -- all brought to us via the Democrats. Don't tell me the Democrats are our 'saviors' because I am not buying it..."

Out of this I understand Sheehan to be saying that she agrees with Milton Friedman on the uselessness of the Federal Reserve and additionally she is with the "far right" and libertarians on not liking the income tax. Wow! This reminds me of the oft cited theory by political science professors that at each "extreme" the ideologies of the two parties meet. It would be delightful to see the far-left Democrat Netroot coalition come together against the income tax. Who said politics had to be boring?

*****Transportation Blinders*****

After a 60 year wait, the Foothill Freeway opened last week across all the foothills of the Los Angeles basin. James Guthrie, W. E. Leonard, Assemblyman Bill Lancaster, Supervisor Dan Mikesell and countless other leaders made a steady push for the construction of this important project that was first justified in 1947. Thousands of Caltrans employees, private contractors, and skilled workers labored to design and build this important transportation system that has already carried more passengers in one week than lots of mass transit systems carry in a month.

It might have been built sooner if it were not for Jerry Brown and his transportation director, Adriana Gianturco, who shared Governor Brown's belief that if the state simply did not build freeways then people would be forced to use public transit. This belief has no basis in fact and only brought misery and even death to those who have been forced to use overcrowded freeways. What a price to pay for a failed social experiment.

Congratulations to those visionaries who saw the future and fought without ceasing to make it a reality.

*****State Bar Needs More Public Scrutiny*****

The press is giving big play to the State Bar Association Board of Directors announcement that Governor Schwarzenegger's appointee, lawyer Elia Pirozzi, to the San Bernardino County bench is not qualified. I know Pirozzi and he is more qualified to be a judge than most of the members of the State Bar Board of Directors. What the press does not tell you in their rush to smear Pirozzi and slam the Governor is that the State Bar review process is an anonymous one where no one knows who makes the comments about applicants and those who make accusations never have to face the candidate they accuse. It brings out the worst in people, even if they were not lawyers. Even if the State Bar did not have a liberal bent I would still question its conflict of interest in evaluating those appointments by the Governor. I challenge the State Bar to release the names of those lawyers who submitted their criticisms so that their biases can be explored and their accusations can be examined.

*****California's Urban Legends*****

The California legislature is pretty nutty and has come up with some nanny-government bills over the years. Perhaps that reality is what drives people to believe some of the wild and crazy rumors that are started about state government. I ran the term "California" through www.snopes.com, a website devoted to verifying or debunking urban legends, rumors and myths. The results were amusing. Does California require hunting licenses before setting a mousetrap? Are California middle school students required to take a three-week course in Islamic studies? Does California require pitbulls to be euthanized? No to all of the above, but enough people believe our legislature would do these things to elevate them to the status of urban myth. If you want to see the other California-related snopes myths, follow this link:

<http://search.atomz.com/search/?sp-q=california&getit=Go&sp-a=00062d45-sp00000000&sp-advanced=1&sp-p=all&sp-w-control=1&sp-w=alike&sp-date-range=-1&sp-x=any&sp-c=100&sp-m=1&sp-s=0>

MISCELLANY

*****A Good Read*****

In honor of his birthday this week, I recommend a classic by Milton Friedman. As a professor at Wabash College he delivered a series of lectures and, with the help of his wife, compiled these lectures into a book called "Capitalism and Freedom." Friedman won the Nobel Prize in Economics and this work will help anyone see why. In it, he articulates his philosophy with reasoned judgement explained in clear language and everyday examples that a reader can easily grasp. In the preface of the 1982 edition, Friedman explained that this work is a precursor to his and his wife's 1980 book "Free to Choose," which also had a PBS companion series. In

“Capitalism and Freedom,” Friedman seeks to address this question, “How can we benefit from the promise of government while avoiding the threat to freedom?”

Some may wonder why they should read a book conceived 50 years ago about the link between politics and economics. The short answer is that is still completely relevant to the public discussions of today. Consider this passage: “If one were to seek deliberately to devise a system of recruiting and paying teachers calculated to repel the imaginative and daring and self-confident and to attract the dull and mediocre and uninspiring, he could hardly do better than imitate the system of requiring teaching certificates and enforcing standard salary structures that has developed in the larger city and state-wide systems. It is perhaps surprising that the level of ability in elementary and second school teaching is as high as it is under these circumstances. The alternative system would resolve these problems and permit competition to be effective in rewarding merit and attracting ability to teaching.”

BOE AND LEGISLATIVE DATES

August 8, 2007 --- E-file workshop in San Bernardino; for more information, go to:
http://www.ftb.ca.gov/emailapps/efile_seminars.asp

August 14, 2007 --- Board of Equalization meets in Sacramento.

August 20, 2007 --- Legislature reconvenes from Summer Recess (J.R. 51 (a)(3)) assuming they get one.

August 28, 2007 --- E-file workshop in Sacramento; for more information, go to:
http://www.ftb.ca.gov/emailapps/efile_seminars.asp

September 3, 2007 --- Labor Day.

September 5, 2007 --- E-file workshop in Fresno; for more information, go to:
http://www.ftb.ca.gov/emailapps/efile_seminars.asp

September 7, 2007 --- Last day to amend on the Floor (J.R. 61(a)(13), A.R. 69(e)).

September 7, 2007 --- E-file workshop in Redding; for more information, go to:
http://www.ftb.ca.gov/emailapps/efile_seminars.asp

September 11, 2007 --- Board of Equalization meets in Sacramento.

September 14, 2007 --- Last day for any bill to be passed (J.R. 61(a)(14)). Interim Recess begins on adjournment (J.R. 51(a)(4)).

October 2-4, 2007 --- Board of Equalization meets in Culver City.

October 14, 2007 --- Last day for Governor to sign or veto bills passed by the Legislature on or before Sept. 14 and in the Governor's possession after Sept. 14 (Art. IV, Sec.10(b)(1)).

October 17, 2007 --- Board of Equalization meets with County Assessors in Shell Beach.

October 23-24, 2007 --- Board of Equalization meets in Sacramento.

NOTABLE DATES/ HISTORY

July 30, 1619 --- The Virginia House of Burgesses, the first representative assembly in the American colonies, opened in Jamestown, Virginia.

July 30, 1935 --- The first Penguin paperback book was published, an early step in the paperback revolution that began after World War II, according to Encarta.

July 30, 1965 --- President Lyndon Johnson signs legislation creating the Medicare system, which establishes limited medical benefits for people 65 years of age or over.

July 31, 1777 --- The Continental Congress appointed the Marquis de Lafayette 19 year old French volunteer soldier as a major general in the Continental Army.

July 31, 1790 --- The new U.S. Patent Office gave Samuel Hopkins the first U.S. patent for his process for making potash and pearl ashes.

July 31, 1846 --- The ship Brooklyn arrived in Yerba Buena (later San Francisco), carrying a company of about 220 members of the Church of Jesus Christ of Latter-day Saints. Their six-month voyage from New York took them around the southern tip of South America and their arrival in the California territory doubled the population of the city when they pitched their tents at what is now Washington and Montgomery Streets.

July 31, 1912 --- Birthday of the late Milton Friedman, famed free market economist who advocated for keeping taxes low and minimal governmental intervention in the marketplace.

July 31, 1975 --- Jimmy Hoffa, the former president of the Teamsters union, was reported missing. His body has never been found, but it is believed that he was kidnapped and murdered.

August 1, 1790 --- The first U.S. Census was completed. (Population of 3,939,214)

August 1, 1873 --- The first cable car began service in San Francisco.

August 1, 1901 --- Burial within the San Francisco City limits was prohibited.

August 1, 1903 --- The first coast-to-coast automobile trip (from San Francisco to New York) was completed.

August 2, 1776 --- John Hancock was the first member of the Continental Congress to sign the Declaration of Independence.

August 2, 1876 --- Wild Bill Hickok was shot from behind while playing poker in a Deadwood, South Dakota, saloon. Hickock's final hand was a pairs of aces and eights and became known as the "dead man's hand."

August 2, 1923 --- President Warren G. Harding died in San Francisco, four days after collapsing from an embolism. Vice President Calvin Coolidge was sworn in as President the next day.

August 2, 1939 --- Albert Einstein urged President Franklin D. Roosevelt to promote research into atomic bombs built from uranium before Germany did so.

August 2, 1943 --- A Japanese destroyer rammed a U.S. Navy PT boat commanded by John F. Kennedy. Kennedy and the other survivors swam for hours to a nearby island and were rescued four days later.

August 3, 1492 --- Three ships commanded by Christopher Columbus departed from Palos de la Frontera, Spain, on the voyage that led them to what became known as the New World.

August 3, 1981 --- U.S. air traffic controllers declared an illegal strike. President Ronald Reagan fired a majority of PATCO members later that year.

August 4, 1914 --- Britain entered World War I by declaring war on Germany after Germany refused to honor the neutrality of Belgium.

August 4, 1944 --- In Amsterdam, Nazi officers arrested 15-year-old Anne Frank and four other Jews in home where they had been hiding for two years. Frank died in the Belsen concentration camp in 1945.

August 4, 1964 --- U.S. warships in the Gulf of Tonkin reported an attack by North Vietnam. As a result of this and an earlier conflict, Congress voted to approve U.S. military involvement in Vietnam.

August 5, 1912 --- The Progressive Party (a.k.a. Bull Moose Party) named former president Theodore Roosevelt, who had led the group's break from the Republican Party, as its presidential candidate.

August 5, 1861 --- The U.S. government introduced an income tax to fund the Civil War.

August 5, 1962 --- Actress Marilyn Monroe died from a drug overdose in Los Angeles.

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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